

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON EDUCATION

Call to Order: By **CHAIRMAN JOHN WITT**, on February 6, 2001 at 8.30 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. John Witt, Chairman (R)
Sen. Ken Miller, Vice Chairman (R)
Rep. Rosalie (Rosie) Buzzas (D)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Rep. Art Peterson (R)

Members Excused: None.

Members Absent: None.

Staff Present: Mark Bruno, OBPP
Amy Carlson, OBPP
Pam Joehler, Legislative Branch
Cayenna Johnson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s): Community Colleges 1/29/01
Executive Action: Community Colleges

EXECUTIVE ACTION ON COMMUNITY COLLEGES

{Tape : 1; Side : A; Approx. Time Counter : 0; 9:30 a.m.}

Ms. Pam Joehler, Legislative Fiscal Division (LFD), presented her supplemental budget analysis handed out on 1/25/01 **exhibit(2)**. She referenced pages E-95 and E-96 which can be found in the following:

EXHIBIT(jeh30a01)

The LFD Comment concerned enrollment projections. Community colleges had projected increased enrollment but in the last three years enrollment had actually declined.

Ms. Jane Kanas, Vice President Flathead Valley Community College, Ms. Joehler, Ms. Amy Carlson, OBPP and committee members discussed the actual enrollment versus the projected enrollment of community colleges.

{Tape : 1; Side : A; Approx. Time Counter : 9.1}

SEN. JERGESON explained to the committee there is a better way to accommodate projected enrollments. His proposal is in the following:

EXHIBIT (jeh30a02)

His proposal is to make enrollment projections based on a three-year rolling average of community college enrollment and decrease the reversion dollars to 50% of the number of student FTE under the projected enrollment.

{Tape : 1; Side : A; Approx. Time Counter : 11.6}

REP. PETERSON asked if the extension programs pay for themselves. He said that if the community colleges used full cost accounting they would find these programs do not pay for themselves. **REP. BUZZAS** asked **Ms. Karas** if she could verify whether or not the extension programs do pay for themselves. **Ms. Karas** explained that the costs of the extension programs are determined by the costs of developing the program. **REP. PETERSON** said if they recover the costs, it is of no concern.

Mr. Terry Hetrick, President, Dawson Community College, speaking for community colleges, explained the projection system is difficult; if enrollment falls short of projections, community colleges are required to reimburse the legislature half-way through the semester after 70-80% of the funds have been spent. If enrollment is greater than projected, community colleges are not reimbursed for additional student FTE and the existing funds must be used to accommodate the increased enrollment.

SEN. JOHNSON asked if **SEN. JERGESON** had compiled a similar chart for MUS as they have a similar process. **SEN. JERGESON** had not.

SEN. MILLER stated that he does not feel a projected 2% growth rate in **SEN. JERGESON'S** proposal is appropriate given the decline in K-12 enrollment. **Ms. Joehler** stated that at a 0% growth rate applying **SEN. JERGESON'S** proposal in FY02, 20 FTE or \$53,720, and

in FY03, 41 FTE or \$110,126, would be reduced from the existing Martz Budget recommendations. **REP. BUZZAS** stated that reducing community college FTE's is premature given that the declining enrollment is in the elementary schools, not in the high schools. In addition, the majority of students at community colleges are non-traditional students, or students aged 25 years or older. **SEN. JERGESON** stated there are a number of large layoffs in the community college areas and there will only be an increasing need for retraining in those areas. **SEN. MILLER** stated that he cannot buy the 2% increase after three years of a 2% decrease in enrollment.

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REP. PETERSON asked why in 1998 there was an increase in enrollment of 4.7%. **Ms. Karas** explained the large increase in enrollment was due to the creation of new programs.

Mr. Rod Sunstead, Associate Commissioner of Fiscal Affairs, Office of the Commissioner of Higher Education (OCHE), stated the actual enrollment of MUS had not yet been finalized for FY01. Therefore, the six units of MUS did not have figures for the amount of reversion dollars.

Motion: **SEN. JERGESON** moved to **ADOPT HIS PROPOSAL USING THREE YEAR ENROLLMENT AVERAGES TO DETERMINE THE ENROLLMENT PROJECTION AND USE A REVERSION RATE OF 50%.**

Substitute Motion: **SEN. MILLER** made a substitute motion to **ACCEPT A ROLLING THREE-YEAR AVERAGE TO PROJECT ENROLLMENT, ELIMINATING 2% ANNUAL GROWTH RATE WITH A 75% REVERSION RATE.**

{Tape : 1; Side : B; Approx. Time Counter : 3.4}

Discussion: **REP. PETERSON** agreed with **SEN. MILLER** that a 2% growth rate seems optimistic. **SEN. JERGESON** presented a second table with a 1% growth rate, which would increase the community college appropriation at approximately the same amount the Martz Budget recommends.

EXHIBIT(jeh30a03)

SEN. MILLER stated the committee needs to take money out of the Martz Budget to get to the ending balance the legislature feels is needed. **Ms. Joehler** stated the 50% reversion rate would not affect the legislature until next session depending on if the

enrollment exceeds or is lower than projections. **SEN. MILLER** amended his substitute motion to be a 50% reversion rate.

Substitute Motion: **SEN. MILLER** amended the substitute motion to **ACCEPT A ROLLING THREE-YEAR AVERAGE TO PROJECT ENROLLMENT EXCLUDING 2% GROWTH RATE WITH 50% REVERSION RATE IN THE BIENNIUM BE ADOPTED AS AMENDED.**

Discussion: **REP. PETERSON** stated that in hopes of expanding enrollment he supports **SEN. JERGESON'S** motion.

Amendment to Substitute Motion/Vote: **SEN. JERGESON** moved to amend **SEN. MILLER's** substitute motion that **1% GROWTH RATE IN FY02 and FY03 BE ADOPTED AS AMENDED.** Motion failed 3-3 with Johnson, Miller, and Witt voting no. Roll call vote.

Substitute Motion/Vote: **SEN. MILLER** made a substitute motion to **ACCEPT ROLLING THREE-YEAR AVERAGE TO PROJECT EXCLUDING 2% GROWTH RATE WITH 50% REVERSION RATE IN THE BIENNIUM BE ADOPTED AS AMENDED.** Motion failed 4-2 with Witt and Miller voting aye. Roll call vote.

Motion: **SEN. JERGESON** moved to **ADOPT HIS PROPOSAL USING THREE YEAR ENROLLMENT AVERAGES TO DETERMINE THE ENROLLMENT PROJECTION AND USE A REVERSION RATE OF 50% BE ADOPTED.** Motion failed 4-2 with Buzzas and Jergeson voting aye. Roll call vote.

{Tape : 1; Side : B; Approx. Time Counter : 10.4}

Motion: **SEN. MILLER** moved that **DP 401-PROJECTED RESIDENT ENROLLMENT INCREASE REDUCING THE FY02 AND FY03 BY \$134,000 EACH YEAR FOR A TOTAL OF \$268,000 REDUCTION BE ADOPTED.**

Discussion: **SEN JERGESON** explained further how budgets are calculated and the appropriation amounts are determined. Enrollments, amount expended per student FTE, and that which accounts for the state share are all used in arriving at the figures.

Substitute Motion: **REP. BUZZAS** made a substitute motion **DP 401-PROJECTED RESIDENT ENROLLMENT INCREASE WITH AN ADDITIONAL INCREASE OF \$500 PER STUDENT FTE.**

Discussion: REP. BUZZAS stated more money is needed to deal with current issues. This would tie the increases directly to the actual amount of enrollment. The amount of this increase using projected FY01 enrollments of 1968 FTE's, or a \$984,000 increase per year in the biennium.

Substitute Motion/Vote: REP. BUZZAS made a substitute motion DP 401-PROJECTED RESIDENT ENROLLMENT INCREASE AN ADDITIONAL AMOUNT OF \$500 PER STUDENT FTE. Motion failed 4-2 with Buzzas and Jergeson voting aye.

Substitute Motion: SEN. JERGESON made a substitute motion to INCREASE STATE SUPPORT FROM 51% TO 55%.

{Tape : 1; Side : B; Approx. Time Counter : 16}

Discussion: SEN. JERGESON stated that the anticipated state support has historically been 65%. This would provide relief to local property tax payers. Ms. Joehler stated this would lead to an \$887,886 increase in the biennium which would raise the state support per student FTE to \$2,900 or an additional \$214 per student FTE. REP. PETERSON asked what the student FTE cost in the university system is currently. Ms. Laurie Neils, Director of Accounting and Budget, OCHE, stated that \$6,972 is the total MUS FTE cost per student. (The state support for the marginal cost of resident FTE at the university units is \$1,984.)

Substitute Motion/Vote: SEN. JERGESON made a substitute motion INCREASE STATE SUPPORT FROM 51% TO 55%. Motion failed 3-3 with Buzzas, Jergeson and Peterson voting aye. Roll call vote.

Substitute Motion/Vote: SEN. JERGESON made a substitute motion DP 401 COMMUNITY COLLEGE ENROLLMENT INCREASE BE ADOPTED. Motion carried 4-2 with Miller and Witt voting no. Roll call vote.

Motion/Vote: REP. BUZZAS moved to ADOPT BASE ADJUSTMENTS. Motion carried unanimously. Roll call vote.

SEN. MILLER asked whether "local assistance" is just spending authority. Ms. Joehler stated local assistance is general fund appropriation from the state that is transferred to community colleges. Mill levies do not show up on the state budget.

Motion: SEN. JERGESON moved that INCORPORATE REVERSION LANGUAGE AT 50% BE ADOPTED. Motion withdrawn.

Motion/Vote: SEN. JERGESON moved that LANGUAGE IN PARAGRAPHS 1 AND 2 ON PAGE E-80 IN THE LFD BUDGET ANALYSIS BE ADOPTED. Motion carried unanimously. Roll call vote.

Motion: SEN. JERGESON moved that PARAGRAPH 3 ON PAGE E-80 OF THE LFD BUDGET ANALYSIS INSERTING LANGUAGE FOR REVERSION TO BE AT 50% OF THE DIFFERENCE AND ACTUAL BE ADOPTED.

Substitute Motion: SEN. MILLER made a substitute motion that PARAGRAPH 3 ON PAGE E-80 OF THE LFD BUDGET ANALYSIS BE ADOPTED AS WRITTEN.

Discussion: SEN. MILLER stated that he supported the 50% reversion rate previously but that he did not get support so he would not support this now. In addition, he did not want to burden future legislators with this reversion rate dilemma.

Substitute Motion: SEN. MILLER made a substitute motion that PARAGRAPH 3 ON PAGE E-80 OF THE LFD BUDGET ANALYSIS BE ADOPTED AS WRITTEN. Motion carried 4-2 with Buzzas and Jergeson voting no.

CHAIRMAN WITT closed the executive session on community colleges and opened the committee to a new proposal from SEN. MILLER concerning the "Opportunity Scholarship."

NEW PROPOSAL ON OPPORTUNITY SCHOLARSHIP

{Tape : 1; Side : B; Approx. Time Counter : 30.5; 10:35 a.m.}

This new proposal would increase student FTE support by raising a state-wide 6 mill-levy but is contingent on a 50% match from the community in which the educational institution is located. This scholarship is available to all Montana resident students for four years during their first bachelor's degree.

{Tape : 2; Side : A; Approx. Time Counter : 0}

SEN. MILLER continued students must maintain a 2.5 GPA. This will reduce tuition costs for students without building bureaucracy on campus. This will come into effect in biennium 2005-2006.

This 6 mill-levy will be voted on as soon as May or as late as November. It would serve 24,000 students and includes students obtaining a 2-year degree.

REP. BUZZAS explained to the committee that this falls short of what MUS needs. She reminded the committee this scholarship might make up the difference in the increase of tuition since the state will not support increased funding for MUS.

SEN. MILLER explained that it was this or nothing.

SEN. JOHNSON explained that some communities in which colleges are located might have a problem facilitating matched scholarship funds when property taxes are already high.

REP. PETERSON applauded **SEN. MILLER'S** efforts and asked if private colleges would be able to participate. They are extremely reliant on private funds which the public would be tapping into. **SEN. MILLER** stated that he would entertain such an idea but that he did not think it would be constitutional.

{Tape : 2; Side : A; Approx. Time Counter : 14.2}

SEN. JERGESON also applauded **SEN. MILLER'S** innovation. He said that for MSU-Northern the private burden of 1400 students would be \$700,000. He felt what would most likely happen is an enactment of a local mill-levy. He explained that based on lawsuits brought against a 1.5 mill-levy for the College of Technology, the mill-levy will be found unconstitutional as it places the financial burden on the communities of the parent institutions; however, the benefits of higher education are not only concentrated in those areas.

{Tape : 2; Side : A; Approx. Time Counter : 18.5}

Ms. Kay Unger, Montana Education Association/Montana Federation of Teachers, stated that for Missoula, with a population of 12,000 students or 10,000 student FTE, the city would be responsible for \$5 million of revenue per year. She stated community members would feel like they were getting "double dipped" when most of the concentration of the state population is in those cities. **REP. BUZZAS** asked if it might be possible that any amount from the 6 mill-levy unmatched and therefore not used be reverted to MUS. **SEN. MILLER** stated he hoped that any amount

left over would be used to build on as a trust fund. If it grew, the scholarship amount could be increased per student.

{Tape : 2; Side : A; Approx. Time Counter : 24.7}

Ms. Joebler distributed a worksheet for the committee to help with the executive action on the MUS. She explained the information.

EXHIBIT (jeh30a04)

{Tape : 2; Side : A; Approx. Time Counter : 29.5}

CHAIRMAN WITT proceeded with a few questions to clarify the work for the committee to be done in executive action on MUS. He asked **Dr. Croft** to address issues such as accountability, language for those accountability issues, and lump sum funding. **Dr. Croft** stated they were strong proponents for lump sum funding as it provides management flexibility necessary on occasion between the time the legislature acts and the time the situation occurs.

{Tape : 2; Side : B; Approx. Time Counter : 0}

Dr. Croft continued with further explanation on how lump sum funding works to the MUS benefit. Accountability issues will take some time to resolve and define language. He stated he would look forward to a process during the session or following the session that would engage legislative leaders and representatives from the executive branch to discuss specifics of accountability. **CHAIRMAN WITT** asked **Dr. Croft** to indicate the real priorities for his budget requests to give the committee assistant in making hard decisions. **Dr. Croft** stated first to be considered would, of course, be the continuation of the base budget and a reasonable accommodation of the present law adjustments. The next top priority is the funding increase of \$500 per student FTE per year. The MUS is currently hoping to find funds to keep the operation at the current level without raising tuition, which everyone finds unattractive.

{Tape : 2; Side : B; Approx. Time Counter : 7.4}

ADJOURNMENT

Adjournment: 10:15 A.M.

REP. JOHN WITT, Chairman

CAYENNA JOHNSON, Secretary

JW/CJ

EXHIBIT (jeh30aad)